

AR12

File #

Inglis

ANNUAL REPORT

Report

● DIRECTORS AND OFFICERS

● DIRECTORS

CHARLES-ÉMILE BÉLANGER
JOHN A. BOYD
AIR MARSHAL HUGH CAMPBELL, C.B.E.
STUART M. FINLAYSON
WILLIAM M. HURTON, C.B.E.
CONDE G. MAIDEN
THE RT. HON. LORD NELSON OF STAFFORD
J. GEOFFREY NOTMAN, O.B.E.
HAROLD NUTTALL
GEORGE A. RIDDELL
HUMPHREY B. STYLE

● OFFICERS

HAROLD NUTTALL	PRESIDENT AND CHIEF EXECUTIVE OFFICER
R. BARRETT SIMPSON	VICE-PRESIDENT FINANCE AND TREASURER
FRANK O. PRICE	VICE-PRESIDENT MARKETING
PERCIVAL J. BALDWIN	SECRETARY

● BANKERS

BANK OF MONTREAL

● TRANSFER AGENT AND REGISTRAR

CANADA PERMANENT TRUST COMPANY
253 Bay Street, Toronto 1
600 Dorchester Blvd. West, Montreal 2

● AUDITORS

CLARKSON, GORDON & CO., CHARTERED ACCOUNTANTS
15 Wellington St., West, Toronto 1

JOHN INGLIS CO. LIMITED, 14 STRACHAN AVE., TORONTO 3, CANADA

REPORT OF THE BOARD OF DIRECTORS

To the Shareholders:

Your Directors present herewith the Annual Report of your Company for the year ended December 31st, 1966.

The result for the year is a net profit of \$1,525,963 on total sales of \$38,173,927, compared with a net profit of \$420,678 for the previous year on total sales of \$37,466,437. This marked improvement arises from the decision in 1965 to phase out operations of the unprofitable Equipment Division and concentrate on the manufacture of consumer products. This phasing out process has adversely affected our overall profitability in 1966 but its effect is rapidly diminishing and it is expected that results for 1967 will much more accurately reflect our consumer product operations.

EQUIPMENT DIVISION

Trading of this Division involved sales of \$5,766,676 and a net loss of \$864,826. The latter figure includes further loss on sales not previously provided for in 1965, rectification work at various sites during the year, and additional provisions for all known claims and estimated value of outstanding site rectification work as at December 31st, 1966.

CONSUMER PRODUCTS DIVISION

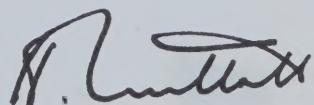
This Division contributed a net profit of \$2,390,789 on sales of \$32,407,251. These sales represent an increase of 16% on the previous year and 40% on sales three years ago, a rate of growth appreciably in excess of the estimated average rate for our industry. It must of course be acknowledged that 1966 was an exceptionally good year for the industry and following the distinct slow down in the economy towards the end of the year we cannot expect the same increase in 1967.

During the year a \$2,500,000 convertible loan agreement was negotiated with Whirlpool Corporation. This was accompanied by new and renewed licence arrangements with Whirlpool covering manufacture of domestic refrigerators and freezers, and domestic laundry equipment and dishwashers, expiring in January 1976. Sundstrand Corporation also renewed our licence for the manufacture of fuel pumps to their designs for a further 10 years from January 1st, 1967.

We are confident that the growing capability of your Company in the manufacture of consumer products will be greatly reinforced by undertaking the manufacture of domestic refrigerators and freezers. The construction of our new plant for these alongside the Queen Elizabeth Way in Saltfleet Township near Hamilton, 40 miles from Toronto, is progressing rapidly and this plant is scheduled to be in full production in 1968.

Your Directors wish to record their appreciation of the loyalty, support and efforts of all of the Company's employees throughout the year.

On behalf of the Board,



HAROLD NUTTALL
PRESIDENT AND CHIEF EXECUTIVE OFFICER

February 24, 1967



BALANCE SHEET

JOHN INGLIS CO.

ASSETS

	1966	1965
CURRENT:		
Accounts receivable	\$ 5,982,194	\$ 5,663,654
Accounts receivable from parent and affiliated companies		130,402
Inventories, valued at the lower of cost or market, less progress billings on contracts	8,760,592	8,967,981
Prepaid expenses	51,908	28,200
	14,794,694	14,790,237
INVESTMENT IN SUBSIDIARY COMPANY		1,000
FIXED:		
Land, buildings and equipment, at cost	6,397,920	5,365,527
Less accumulated depreciation	3,773,583	3,567,557
	2,624,337	1,797,970
Unamortized tooling costs	97,650	130,600
Land held for sale, at estimated realizable value		710,000
	2,721,987	2,638,570
OTHER:		
Deferred preproduction expenses (Note 2)	235,221	
	\$17,751,902	\$17,429,807

On behalf of the Board:

H. NUTTALL, DIRECTOR

H. B. STYLE, DIRECTOR

IMITED(Incorporated under the laws
of Ontario)**DECEMBER 31, 1966**

(with comparative figures for 1965)

LIABILITIES**CURRENT:**

	1966	1965
Bank advances (secured)	\$ 1,371,367	\$ 28,823
Accounts payable and accrued charges	3,924,804	5,374,770
Accounts payable to parent and affiliated companies	6,036	
Sales and other taxes payable	361,999	274,145
	5,664,206	5,677,738

PROVISION FOR WARRANTY	600,000	600,000
LOAN FROM PARENT COMPANY (Note 3)	326,414	1,470,000
SINKING FUND DEBENTURES – 6% – due April 1, 1967 (Note 3)	3,028,434	3,028,434

SHAREHOLDERS' EQUITY:

Capital (Note 4) –

Authorized – 1,500,000 shares of no par value		
Issued – 1,107,498 shares	9,314,269	9,314,269
Deficit	1,181,421	2,660,634
	8,132,848	6,653,635
	\$17,751,902	\$17,429,807



JOHN INGLIS CO. LIMITED

YEAR ENDED DECEMBER 31, 1966 (with comparative figures for 1965)

● STATEMENT OF PROFIT AND LOSS

	1966	1965
Sales:	<u>\$38,173,927</u>	<u>\$37,466,437</u>
Profit on operations before the undernoted (Note 5)	<u>\$ 2,220,686</u>	<u>\$ 2,099,556</u>
Less:		
Depreciation and amortization	366,723	658,905
Interest on long term debt	251,053	347,179
Other interest expense	68,947	225,950
Directors' fees	8,000	8,000
Non-recurring expense of discontinuing operations of Equipment Division	438,844	
	<u>694,723</u>	<u>1,678,878</u>
Net profit for the year (Note 6)	<u>\$ 1,525,963</u>	<u>\$ 420,678</u>

● STATEMENT OF DEFICIT

Deficit at beginning of year	\$ 2,660,634	\$ 2,826,144
Net profit for the year	1,525,963	420,678
	<u>1,134,671</u>	<u>2,405,466</u>
Loss on sale of Equipment Division assets	46,750	255,168
Deficit at end of year	<u>\$ 1,181,421</u>	<u>\$ 2,660,634</u>

● STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Funds were provided from:		
Net profit for the year	\$ 1,525,963	\$ 420,678
Depreciation and amortization	366,723	658,905
Sale of Equipment Division assets	663,250	5,234,811
Sale of shares of subsidiary company	1,000	
	<u>2,556,936</u>	<u>6,314,394</u>
Funds were expended on:		
Additions to fixed assets	1,160,140	470,387
Reduction in loan from parent company	1,143,586	430,000
Reduction in Sinking Fund Debentures		115,889
Redemption of First Mortgage Bonds		1,188,000
Deferred preproduction expenses	235,221	
	<u>2,538,947</u>	<u>2,204,276</u>
Resulting in an increase in working capital of	17,989	4,110,118
Working capital at beginning of year	9,112,499	5,002,381
Working capital at end of year	<u>\$ 9,130,488</u>	<u>\$ 9,112,499</u>

NOTES TO FINANCIAL STATEMENTS

1. The comparative figures for 1965 have been restated to conform with the 1966 presentation.
2. Preproduction expenses related to the new refrigerator facility have been deferred and will be amortized over the first five years of operations.
3. The outstanding Sinking Fund Debentures and Loan from Parent Company are not included as current liabilities because refinancing arrangements are under negotiation:

(1) Issue of three year debentures	\$2,000,000
(2) Loan from Whirlpool Corporation (Note 4)	2,500,000
4. Under an agreement signed with Whirlpool Corporation, an amount of \$2,500,000 is to be advanced to the Company in 1967 as an unsecured Convertible Loan maturing December 31, 1971. During the three years 1969-1971, Whirlpool has the option of converting the Loan into 208,333 shares of the Company's unissued capital stock on the basis of \$12.00 per share.
5. The operating results for 1966 include a loss of \$864,826 on Equipment Division contracts. This represents further expenses and additional provisions for excess costs incurred or anticipated in the phasing out of the Equipment Division. The Company is still contingently liable on several Equipment Division contracts on which equipment has been installed and is operating but not yet accepted by the purchasers. Provision has been made in the accounts for all known claims and the Company does not expect any further liability.
6. No income taxes are payable on the year's profit because of the carry-forward of losses from previous years and the application of depreciation and amortization previously written off in the accounts but not claimed for tax purposes. The total of such amounts available to reduce taxable income of future years is estimated at approximately \$3,200,000.
7. Construction has started on a plant for the manufacture of refrigerators and freezers located in Saltfleet Township near Hamilton, Ontario. The total cost of land, building and equipment is estimated at \$5,500,000, of which approximately \$450,000 has been spent to December 31, 1966.
8. The unfunded liability of the Company under the Pension and Retirement Plans as at December 31, 1966, is estimated by the consulting actuary to be \$1,955,000. The Company plans to fund this amount by twenty-three equal annual payments to the Trustee.

AUDITORS' REPORT

To the Shareholders of
John Inglis Co. Limited:

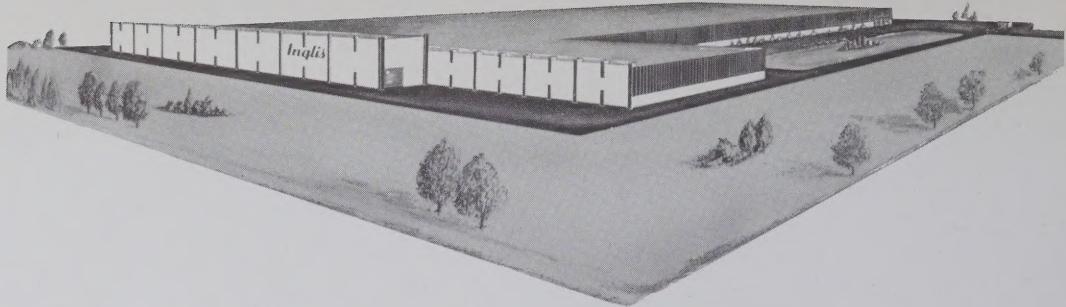
We have examined the balance sheet of John Inglis Co. Limited as at December 31, 1966 and the statements of profit and loss and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of profit and loss and deficit present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

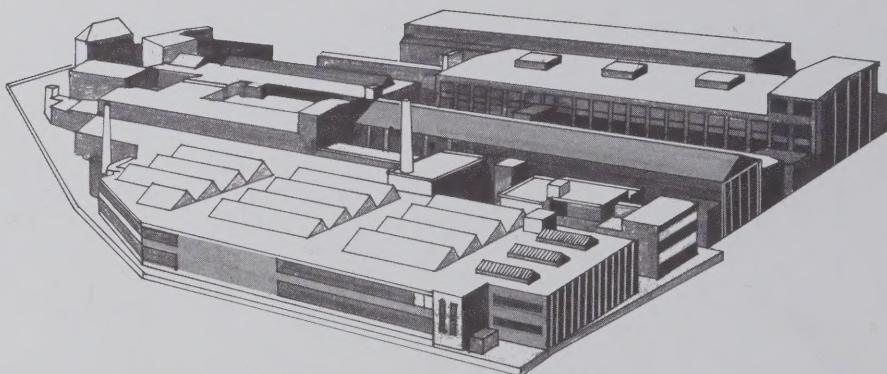
Our examination also included the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of the company for the year ended December 31, 1966.

Toronto, Canada,
January 24, 1967.

CLARKSON, GORDON & CO.
Chartered Accountants.



ARTIST'S SKETCH OF NEW DOMESTIC REFRIGERATOR AND FREEZER PLANT
NOW BEING CONSTRUCTED AT SALTFLEET NEAR HAMILTON.



INGLIS STRACHAN AVENUE PLANT WHERE DOMESTIC LAUNDRY EQUIPMENT,
DISHWASHERS, FUEL PUMPS AND WATER HEATERS ARE MADE.

YOUR COMPANY'S PRODUCTS

- AUTOMATIC WASHERS AND DRYERS
- WRINGER WASHERS
- DISHWASHERS
- WATER HEATERS
- OIL BURNER FUEL PUMPS



JOHN INGLIS CO. LIMITED • TORONTO, ONTARIO